V.9 #10
March 8, 1971

FOREIGN AGRICULTURE

MAR 29 1971
SCIENCE

March 8, 1971

U.S. Fruits and Vegetables Face Competition in Canadian Market

Japan's Beef-Cattle Industry Accelerates

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FOREIGN AGRICULTURE

VOL. IX • No. 10 • March 8, 1971

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Harvesting Mexican tomatoes—one of the many Mexican horticultural products that compete with U.S. products in the Canadian market. See article beginning page 8. (Photo: Inter-American Bank)

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Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

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Japanese beef farm. Below, sheltered winter feeding.

New Grasslands A
Growth of Japan's B

s Accelerate s Beef Industry

By THEODORE R. FREEMAN, Jr.
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Japan seems about to take a substantial step forward in beef production to complement the strides it has made in the past decade in output of poultry and dairy products and its modernization and stabilization of pork outturn. Central Government, prefectural (local) authorities, and some large financial institutions and agricultural cooperatives are teaming up to turn large areas of previously unused mountain areas into grassland.

The country's livestock industry, which at present accounts for about one-fifth of agricultural production (about $2.5 billion annually), could be on the threshold of some shift of emphasis. Up till now, beef production has been a poor cousin in this fastest growing segment in Japan's farm economy. Between 1960 and 1969 beef cattle numbers actually declined (if one includes beef-type draft animals).

Although output of beef and veal rose during the past decade from 143,000 metric tons in 1960 to an estimated 235,000 metric tons in 1970, beef performance was sluggish in comparison to other segments of the livestock industry. During the same period, milk production more than doubled, egg production more than tripled, pork output nearly quadrupled, and poultry meat outturn increased by more than sixfold.

Japanese diets have reflected the past slow growth of the beef industry. In 1960 beef and pork shared the top spots in per capita meat consumption per year while poultry trailed the field; by 1969 beef and veal had the next to lowest per capita consumption (4 lb.) of any meat (mutton and lamb were lower), and poultry was in second place, with pork leading.

As demand for meat (and especially beef) will continue strong in Japan while incomes continue to rise, beef production may become a critical sector of the livestock industry. Major gains have already been made in dairy, pork, and poultry production, and these industries are beginning to emerge as modern and highly productive enterprises. But slaughter cattle are still raised largely by part-time farmers with small holdings or are the byproduct of dairy operations. (Nearly all the increase in beef supplies during the past decade came from the slaughter of dairy animals.)

The Federal Government plus prefectural governments will play a key role in the expected transformation of Japan's beef industry. Both provide extensive subsidies for improving grasslands for cattle. In addition, the central Government provides subsidies for importing beef breeding stock, and under this program 1,240 head of cattle have entered the country during the past 3 years.

An example of the new emphasis on beef production and the role of the Federal Government in helping local development is the Iwate Prefecture project in northern Honshu, the main island of Japan. About 88,900 acres of rugged mountain slope in Iwate are being turned into improved pasture. During the past 4 years 26,000 acres have already been converted; but the pace is expected to speed up soon.

The cost of improvement has been estimated at $360 per acre, of which the Federal Government will pay 55 percent on tracts with 124 acres or more and 45 percent on smaller holdings. Iwate Prefecture will bear 22.5 percent of the expense, and the remainder will be paid by farmers' cooperatives and other local groups.

Plans call for herds of 170,000 beef cattle and 160,000 dairy cattle by 1975—a marked expansion from the present 64,000 beef cattle and 72,000 head of dairy animals.

Kumamoto Prefecture has a somewhat similar but smaller pasture improvement project underway in the Mt. Aso area on the southern Japanese island of Kyushu. Nearly 4,500 acres have already been turned into high-grade pasture at a cost of $6.4 million, of which Federal loans and subsidies paid a substantial portion. The new grasslands will carry 3,400 beef and 2,700 dairy cattle.

Other development plans to greatly expand useful rangeland are underway in other parts of Japan. Most projects are in hill or mountain areas, which comprise 70 percent of Japan's total land area but have not contributed much to the country's agricultural economy in the past. In the last 10 years 425,000 acres have already undergone improvement.

Still other projects call for the rapid expansion of the beef herd in Hokkaido, which at present has only 40,000 head. This area, rather sparsely populated and with too severe a climate for the successful culture of many crops, is largely devoted to dairying. Ambitious plans are now underway to increase Hokkaido's beef herd by tenfold in the next 10 years.

Purchases of foreign beef breeding stock are important to Japan's increased beef production, and 683 U.S. Herefords and Angus were exported to Japan from 1967 through 1970—mostly to the northern part of Honshu and to Hokkaido.

But improvement of local breeds and better feeding are more likely to have a major effect in the near future. In 1968 a cattle survey showed that of Japan's 1.6 million head of beef animals, only 143,000 were of non-native ancestry. The same survey also showed the predominance in beef production of the Black Wagyu, the breed to which 1.2 million head belonged.

The Black Wagyu started its career as a draft animal used especially for cultivating rice paddies. Its small size

and long legs made it suitable to Japanese conditions. In 1918 a registry association was established and efforts were focused on developing the Wagyu into a desirable meat-type animal by means of careful breeding selection. By 1948 the registry system had been established, breed standards agreed upon, and the Japanese Cattle Registry Association organized. The Association provided invaluable services in guiding improvement efforts, and today's Wagyu is the result of many years' work.

The rather rangy-looking Black Wagyu is deceptive to the eye of the U.S. cattleman with its long legs, fine bones, small size (mature height about 44 inches at the top of the shoulder), hairy coat, and short, slender horns. But it is the pride of the Japanese beef industry, brings premium prices on the market, and is the source of the famous Kobe beef.

Both "Kobe" and "Matsusaka" are trade names for a special type of high-quality beef produced from Black Wagyu heifers. Beef of nearly the same quality is often obtained from Black Wagyu steers and cows, but this is properly termed "Kobe-type" beef. Kobe and Matsusaka beef have cherry red muscling, large amounts of creamy white marbling, and fine texture. The cooked beef is tender, juicy, and of excellent flavor.

However, only the best heifers are selected for the long period of feeding (10 to 12 months starting when the animal is about 22 to 30 months old) needed to produce Kobe beef; and Kobe beef is only about 6 percent of total beef production in Japan. The supply is so small (about 2 lb. for one-tenth of the population per year) and so expensive (about $7 per lb.) that few Japanese are able to enjoy Kobe beef regularly.

Most Black Wagyu are slaughtered after lesser periods of intensive feeding and generally produce a very good quality of beef.

Japan's expanding beef industry, however, is not without its problems.

First, most operations are still on a very small scale—the average is two beef cattle per farm—with resulting inefficiency. The vertical integration and large-scale operations that have been partly responsible for the rapid progress in broiler, egg, and pork production have not yet been widely applied to beef cattle.

Although the average hog herd per farm in Japan is 11.7 head, farms with 160 or more feeder hogs maintain one-third of the pig population. A typical modern operation is the Soganoya Hog Farm near Tokyo, which maintains 1,700 brood sows and markets around 25,000 head of finished hogs annually. Such large operations are not only efficient but are in a better position to withstand such common problems for livestock raisers as market price fluctuations and feed cost increases.

In the poultry industry the average laying flock is 80 hens; but operations with 3,000 or more mature layers hold one-third of the national stock. Broiler operations tend to be even more concentrated.

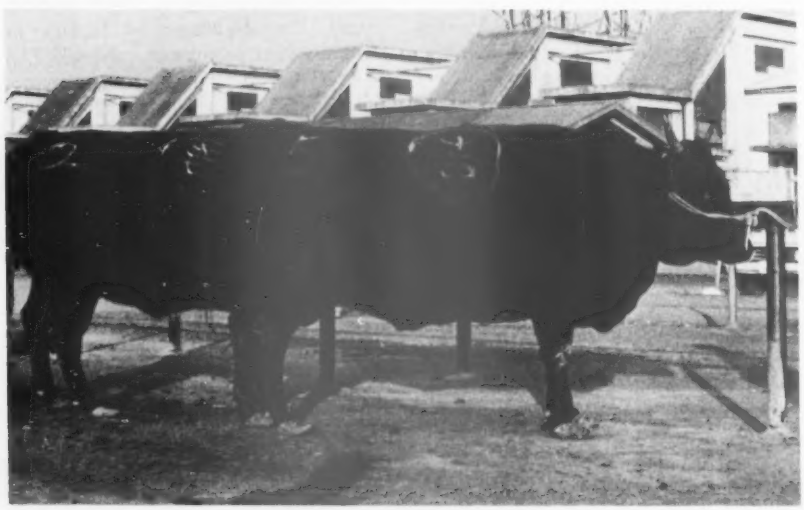
For the near future, until increased consolidation and production occur in beef operations, beef imports may play a role in stemming rising consumer beef prices.

At present, beef is imported to Japan under a quota system under which sizes of annual allocations have increased steadily from 3,000 metric tons in 1958 to 22,000 tons in 1970. The United States is a supplier of both frozen and fresh chilled beef and in 1970 shipped 1.4 million pounds. A tariff of 25 percent ad valorem plus miscellaneous surcharges raises the price of imported beef about 45 percent above f.o.b. prices in the country of export.

Another import that will be crucial to a high-gear beef industry is feedgrains. In 1970 Japan's imports of this commodity were 10.6 million tons, and more than 90 percent of total grain supply for livestock feeding came from outside the country. Most was utilized in Japanese-manufactured mixed feeds. In 1970, production of mixed feeds for beef cattle was 600,000 tons—not large in itself, but a big jump from the 8,000 tons manufactured in 1960.

Currently, the United States is the leading supplier of feedgrains to Japan and exported 6.4 million metric tons to that country in U.S. fiscal 1970.

Left, distinctive Matsusaka beef produced from the Black Wagyu. Below, premium quality Black Wagyu heifers ready for slaughter.



High Pork, Live Cattle, and Hog Tariffs Will Reduce Benefits of Japan's Recent Quota Liberalization

Japan's planned tariff revisions for pork, live cattle, and hogs will offset much of the advantage of the quota liberalizations on these items to be completed by the end of September 1971. (See *Foreign Agriculture*, Feb. 15, 1971.)

Cattle and hog breeding stock, however, continue exempt from import duties, if they are certified as breeding stock by the Japanese Government, and special pork cuts are subject to no quota under the new system.

There will be no change in policies affecting imports of breeding stock. Importers will still be required to obtain import licenses.

All U.S. live hog and cattle sales to Japan are breeding stock and are expected to continue as usual. In 1970 these amounted to 5,370 head of hogs and 652 head of cattle. In addition, Japan imported 512 hogs and 600 cattle from other countries, excluding the Ryukus, in 1970. Most of the cattle were imported under the Government's subsidy system. About 800 head of cattle will probably be imported under this system in 1971.

Live hogs and cattle for slaughter will be subject to heavy duties which will discourage imports.

The proposed tariff on carcass pork insures a continuation of the present policy of encouraging imports only for the purpose of stabilizing prices of domestic pork. Formulas for computing the duty under the proposed tariff revisions are such that the price of imported carcass pork will never be lower than $.48 per pound, or the midpoint between the floor price ($.43) and the ceiling price ($.53), unless the Government waives the import duty.

Under the present quota system, the Government issues import licenses only when domestic wholesale prices for pork exceed the ceiling price and reserves the right to waive the 10-percent import duty in order to encourage utilization of quotas.

The right to waive the duty, a key feature of the new tariff system, can be manipulated to encourage or discourage imports. Without waiver of the duty, imports would be attractively priced only when domestic prices exceeded the midpoint and imports could be landed for less. Thus, the new tariff will encourage imports only when domestic prices range around the ceiling price, giving the same net results as the current quota system, except that the importer's margin will always be limited to the difference between the midpoint and the domestic price.

The duty on primal cuts will be 10 percent ad valorem or the midpoint divided by 0.75 minus the c.i.f. price, whichever is higher. The 0.75 factor represents the yield rate from carcass to primal cuts.

The importer's margin on cuts will also be limited because the new tariff will be discriminatory against lower priced cuts such as Boston butts. The c.i.f. price plus the duty will be the same for lower priced portions as for more expensive ones, because the higher duty on the lower priced cuts will equate them in price with the more expensive cuts. This will reduce the buyer's choices and restrict margins, which is expected to discourage importers. Thus, pork imports will be favored only when the Government waives the tariff. And the Government is not likely to do this unless domestic pork prices exceed the ceiling price on this item.

Nevertheless, absence of the quota system paves the way for unlimited imports of special cuts, such as loins and hams, for further processing, which the Japanese processing industry may find attractive.

JAPAN'S PORK, LIVE CATTLE, AND HOG TARIFFS

Item	Amount
Live cattle:	
Certified breeding stock	0
Feeders less than 660 lb	$125 per head
Feeders more than 660 lb	$208 per head
Live hogs:	
Certified breeding stock	0
Feeders less than 110 lb	10 percent ad valorem
Slaughter hogs more than 110 lb	10 percent ad valorem or $57.60 per head [1] minus c.i.f. price [2]
Pork:	
Carcass	10 percent ad valorem or $.48 per lb. minus c.i.f. price [2]
Primal cuts	10 percent ad valorem or $.64 per lb. minus c.i.f. price [2]

[1] On the basis of a 200-lb. hog. [2] Whichever is higher.

Mexico Leads World in Honey Exports

Although Mexico ranks behind the United States and the USSR as a producer of honey, in recent years it has been the world's largest exporter.

Only about one-fourth of Mexican production is consumed domestically; the bulk is exported. In 1969 exports totaled some 26,000 metric tons, with West Germany taking the largest amount. The United States is the second largest importer and the United Kingdom and Switzerland and are also regular customers. The United States exports mainly table-grade honey while its imports from Mexico are mainly for industrial uses.

In 1969 Mexico produced some 36,000 metric tons of honey. Of this, 6,500 metric tons came from the State of Yucatán, 900 tons from Quintana Roo, and 7,400 tons from Campeche—all located on the Yucatán Peninsula. Other areas of production include the States of Jalisco, Morelos, Michoacán, Puebla, and Guanajuato.

After the giant henequen, honey rates as the leading product in the Yucatán Peninsula. Over 5,000 families in this area earn their income from bee-keeping. There are about 2,000 maintenance and extraction units in the region.

The total number of bee colonies in Mexico amounts to an estimated 1,665,000 and about half of the hives are of the modern type. There is a wide variation in yields and hives. Those worked on a more systematic basis often produce more than double the output of ordinary hives.

Production of honey in the Yucatán will probably increase in the future. New roads will provide easier access to markets, thereby encouraging new producers. Domestic consumption of honey is also expected to rise, especially in the face of recent price increases for sugar in Mexico.

Wheat Marketing in Major Exporting Countries

IV. how their export operations compare —general considerations

By ANDREW B. BELLINGHAM
Grain and Feed Division
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This is the fourth article in a series on wheat marketing by Canada, Australia, Argentina, and the United States. Past articles have dealt with the organization and structural setting of the market, price support systems, and domestic marketing, shipping, storage, and grading practices.

This article and the one that follows deal with export practices of the four countries. Because of the complexity of the subject, the present article will outline general considerations, while the next one will cover specific exporting practices of the individual countries.

One of the most interesting areas of comparison among major wheat exporting countries is their systems of export sales. These have become increasingly important in recent years as improved transportation, communications, and merchandising techniques have opened the way for sharpening competition in various markets of the world.

Within the overall marketing system of each major exporting country, greater emphasis has been placed on the determination of export prices, the negotiation of sales—the network of arrangements with agents and overseas offices—the supporting mechanics of assembling wheat for delivery in accordance with time, location, and other specifications—the use of credit and other indirect competitive measures—and the conduct of public relations and promotional activities.

Pricing systems. While all of these functions relate to export sales and the maintenance of a competitive position in the eyes of the buyer, perhaps the one that is the most basic and also the focus of greatest attention is the setting of prices.

In Canada and Australia, where quasi-governmental Wheat Boards act as the only supplier of wheat for export and possess the sole authority for initiating all export sales, the price to the foreign buyer or trading agent is held fixed at an administratively determined level and periodically adjusted.

While the Canadian Wheat Board's prices for wheat for export generally are publicly announced, most of Australia's prices are given much more limited circulation, and are disclosed primarily to authorized or qualified agents and buyers. In the case of Argentina and the United States, however, export pricing is largely in the hands of individual competing private firms, and the government role is indirect. In both cases, when needed, either government subsidies or other measures are readily available to insure that developments in the domestic markets, or even in the foreign exchange market in the case of Argentina, do not disadvantage that country's wheat unduly in competing with the prices of other suppliers in overseas markets.

The pricing systems of Canada, Argentina, and the United States all provide basically for an equal price—for a particular wheat at a particular location—to any and all foreign buyers.

Traditionally, Australia—because of distance from certain major markets—has followed pricing policies designed to make its wheat competitive in se-

lected overseas destinations, especially the major market centers of the world. Because of freight cost differences, this destination-pricing system has meant export prices which, at the point of loading in Australia, differ according to destination.

In an effort to minimize the inherent difficulties with buyer relations under such a system, Australia has tended to differentiate where possible in the types of wheat regularly offered to the respective markets, or has entered directly into arrangements for ocean freight. This buyer relations factor is the basic distinction between Australia and the other major exporters on setting and public announcement of prices on wheat for export.

Private competitive firms. A number of large international firms, commonly known as "exporters," are very prominent in the international trading of grains. In some instances these firms maintain control of grain from a local delivery point in the exporting country all the way through to the point of delivery to processor or final user in importing countries. Generally, this wide extent of interest in the marketing channels is more common in feed grains than wheat, since government or semigovernment agencies—whether exporting or importing — are more widely prevalent in the wheat trade.

Generally, these firms are very active in purchasing at local points of origin in Argentina and the United States, whereas in Australia and Canada their role is limited so as to begin only at the point of shipment of the wheat into international trade. In all cases, the firms are mainly involved with arrangements between the point of loading in the exporting country and the point of unloading overseas. All are active in international freight markets, and in some instances maintain control of oceangoing vessel space, either through ownership or extended "time-charter" of vessels.

An important aspect of these firms' operations is that they normally handle grains from any origin, and in dealing with overseas buyer or government importing agency, they are usually in a position to offer prices, in accordance with specific delivery terms, for wheats from different countries of origin.

Commodity market hedging. The use of various systems of commodity market hedging is an important feature in international trading of grains, and one which forms a basis for the smooth operation of the private exporting firms as well as foreign importing firms that deal with major wheat exporters.

In the case of wheat, futures markets in the United States and Argentina; import levies in the European Community, United Kingdom, and other importing markets; and at times even the fluctuating export subsidy systems of certain countries, all lend themselves to the type of operation carried on by the trading firms.

To whatever extent is regularly profitable, and given the policies of each particular firm, a major aspect of the private firms' operations involves the more or less continual process of making purchase or sale contracts or commitments as a counterpart to the actual physical volume of the cash commodity being traded.

Exporters may, for example, fix a sale contract with a buyer in a particular foreign country for delivery at a specified later date; the exporter may then choose either to supply that contract from stocks already under his control in elevators in the exporting country or under contract with producers, or other merchants, or to purchase such grain —subsequent to its sale to the foreign buyer — from producers or other merchants at the most profitable point in time. This delayed purchase—commonly referred to as "covering," — may immediately follow the moment of entering into the overseas delivery contract, or it could even be prior to that time in anticipation of a contract, or it could be at any time before loading.

Depending upon when such a commitment for the delivery of grain is undertaken, an offsetting transaction normally is entered into the futures market, at least in the case of Argentina and the United States. Again, the exact timing of this offsetting transaction may be varied considerably according to the judgment of the firm as to the most profitable moment.

In the handling of export grain from the United States and the European Community, where daily export subsidies are frequently in effect, the trading firms have an additional opportunity for a somewhat parallel operation in the timing of their subsidy commitment.

In the case of Argentina, no direct subsidies are offered, but periodic adjustments in the export index values and frequent fluctuation of the value of Argentine currency produce similar opportunities for hedging and speculative transactions to be associated with actual export sales contracts.

Finally, on the importing side, where fluctuating import-charge systems are used, still another parallel avenue exists for associated speculative transactions. In all of these cases, since a highly competitive situation exists

(Continued on page 16)

Grain elevators at Puerto Quequen, Argentina.

Competitors Ero

And Vegetable Ma

Today U.S. horticultural products face tougher-than-ever competition in their leading foreign market—Canada. In spite of the United States being Canada's nearest neighbor, it supplied a declining percentage of Canadian horticultural imports during the 1960's even though it includes areas climatically suitable to year-round fruit and vegetable production, which Canada does not.

A tangle of reasons, some as uncontrollable as weather and some the result of careful economic planning by competitors of the United States, caused the trend. In general, other suppliers than the United States moved aggressively into the Canadian market and increased their exports at the expense of U.S. sales.

A big incentive to several developing countries to penetrate the Canadian horticultural market was their need for foreign exchange. Canada has a sound currency, a high standard of living, and a large demand for fruits and vegetables to make it an attractive market target.

Complementing the Canadian situation, fruit and vegetable farming and processing in developing countries utilizes some of the large reserves of labor available at relatively low rates and delivers a valuable product not already in export oversupply.

Mexico was one country that followed this pattern and utilized croplands previously in wheat and cotton for fruits and vegetables with considerable success, especially for strawberries and for oranges.

Large quantities of strawberries grown in Mexico were marketed in Canada in the 1960's in frozen form, and Canada's imports increased from 7.7 million pounds in 1960 to 21.2 million in 1969. Nearly all of the increased volume came from Mexico, which at the beginning of the 1960's held a minor share of the Canadian frozen strawberry market while the United States was the chief supplier. By 1969 Mexico had 84 percent of the market and the United States only 12 percent.

Both Mexico and another developing country, Brazil, made substantial gains in Canada's market for frozen and nonfrozen orange juice concentrates. In 1960 the United States was Canada's only supplier of frozen concentrated orange juice; by 1969 U.S. sales were only 55 percent of a growing market and Mexico had captured 13 percent and Brazil 24 percent. Canada's purchases of nonfrozen juice followed a similar pattern for the decade except that Mexico was the chief gainer.

Some of the Asian developing countries that made sizeable inroads on the Canadian market were the Philippines with pineapple juice and canned pineapples, Taiwan with canned asparagus and canned mushrooms, and Malaysia with canned pineapples.

Another major reason for increased competition in the Canadian fruit and vegetable market was preferential trading arrangements—especially the British Commonwealth preferential trading scheme.

After the mid-1960's, Southern Hemisphere countries with Commonwealth tariff preferences—such as Australia, New Zealand, and South Africa—began to expand production, improve quality of fruits and vegetables exported, and look for new markets as some of their traditional markets dwindled. In particular, production increases within the European Community plus import levies forced these suppliers to turn their attention elsewhere. Fellow Commonwealth member Canada was an obvious market choice.

Southern Hemisphere countries made their biggest gains in Canada's market for canned deciduous fruits—apricots, peaches, and pears—plus canned fruit cocktail. And these advances were mostly at the expense of U.S. sales. One advantage Commonwealth countries enjoyed was tariff rates that ranged from nothing to half the duty charged on U.S. products.

Southern Hemisphere suppliers chalked up several successes in Canada between 1960 and 1969. Australia's share of the canned apricot market rose from 10 to 25 percent and South Africa's from 42 to 52 percent while the U.S. share halved. Australia's sales of canned cocktail jumped from 2 percent to 13 percent while U.S. sales

The accompanying article is excerpted from the publication Canadian Imports of Horticultural Products *by Henry Dueringer, who compiled and analyzed data while working for the Fruit and Vegetable Division, FAS. This booklet, FAS M-226, will be released for distribution March 17, 1971, and contains a complete explication of the subject plus an extensive statistical appendix showing figures for the 1960's.*

Australian fresh apples are loaded into refrigerated ship hold.

Canning pineapple in Taiwan.

s Erode U.S. Fruit

e Market in Canada

slid from 98 percent to 85 percent. During a period when Canadians were importing more canned peaches, Australia's market share rose from 1 percent to 26 percent; the U.S. share fell from 99 percent to 73 percent. But the biggest reversal was Australia's jump from 5 percent to 70 percent of canned pear sales while the U.S. share tumbled from 95 percent to 27 percent.

While Commonwealth preference countries also made some gains on Canada's import market for fresh fruits, they were neither so consistent nor so important as the gains made in canned fruit. Although they made steady progress in marketing apples, their market shares for grapefruit and oranges were erratic. However, South Africa increased its share of fresh pear sales at U.S. expense.

Another factor, especially affecting U.S. exports of fresh vegetables to Canada, is due partly to the variable weather conditions of the United States and partly to the Canadian arrangement of import duties.

In the United States areas growing vegetables and fruits in the winter more often have damaging frosts than areas further south in Mexico. U.S. crop shortages in recent years have allowed Mexico to move into the Canadian winter vegetable market in force at the very time of the year when Canadian duties on fresh produce are least. U.S. produce often is marketed later in the spring or earlier in the fall when duties are higher to protect Canadian-grown crops.

Changes in U.S. and Mexican sales of cucumbers are an example of what has happened on the Canadian market for fresh vegetables in the last decade because of Mexico's advantageous winter vegetable growing season. Mexico's Canadian sales of cucumbers for January-April, the season of shortest supply in the United States and Canada, jumped from less than 100,000 pounds in 1960 to 6.9 million pounds in 1969. U.S. sales of cucumber remained about constant for the period and were marketed chiefly in May through September when Canadian fresh vegetable tariffs were at their peak to protect the market for domestic cucumbers. The U.S. share of the lucrative January-April Canada market slumped from 81 percent in 1960 to 21 percent in 1969.

Other fresh vegetables for which Mexico is trimming the United States, share of the Canadian market are tomatoes, peppers, peas, brussels sprouts, and asparagus.

A trend that affects exports of all types of U.S. canned fruits and vegetables to Canada is the erosion of the U.S. advantage of volume production as developing countries build up their industries. Accompanying this is a dispersion of the technical knowledge for quality processing and of marketing know-how. Private investors, Government programs, and aid from international agencies have all provided help in this spread of knowledge.

Two examples of countries that have added to their Canadian sales by better processing and more aggressive marketing are Israel and Portugal.

Between 1964 and 1969 Canadian imports of Israeli canned citrus increased almost eightfold and bit into both U.S. and Japanese market shares.

Between 1960 and 1965 Portugal increased its sales of tomato paste from 3 percent of the Canadian market to over 50 percent. In 1966 it captured 67 percent and since 1965 has been the first-ranking supplier. The market shares of both Italy and the United States, who were the chief sellers of tomato paste at the beginning of the 1960's, fell drastically.

Finally, such unpredictable occurrences as local weather disturbances and political upheavals have affected U.S. sales to Canada.

For example, although in general the United States has held 98 percent to 99 percent of the Canadian grapefruit market, in certain years this share fell sharply because heavy frost damage in U.S. growing areas caused scarcity and high prices of U.S. grapefruit. During such years South Africa and Mexico sold more grapefruit in Canada.

On the other hand, U.S. sales of fresh pineapple (grown in Puerto Rico) to Canada soared after the Cuban revolution changed that country's political climate and relations with other Western Hemisphere nations. U.S. pineapple sales in Canada increased more than threefold between 1960 and 1969.

But in spite of the erosion during the 1960's of the U.S. share of the Canadian horticultural market, the United States is still Canada's first-ranking supplier and of major importance in providing Canada's horticultural needs. Conversely, in 1969 Canada was the market for 44 percent of all U.S. horticultural exports for sales of $200 million that helped to swell U.S. agricultural export earnings.

Pear halves move through cannery in New South Wales, Australia.

Rising Inflation, Trade Barriers, and Transportation Bottlenecks Impede Progress of U.S. Fruit and Vegetable Exports

By CLINTON COOK
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There are three major problems causing the negative trade balance which faces the U.S. horticultural industry today: inflation, a deteriorating transportation system, and trade barriers. An analysis of these three problems will explain why the trade balance for this commodity group shifted from a favorable $200 million in the late 1950's to today's unfavorable balance with imports still increasing sharply.

A few years ago the United States could boast of the world's most efficient horticultural industry when all factors such as dependable supply, uniformly high quality, good packaging, and relatively low prices were considered. However, during the last 10 years, several factors have lowered the efficiency of the industry and consequently our high market prices began to attract more imports.

Perhaps inflation may be blamed for a large part of the problem. During the last 10 years farm wage rates increased about 60 percent while production per man hour in vegetables increased only a little over 20 percent. On the other hand wage raises and production increases for fruits and nuts rose at about the same pace, therefore keeping a hold on the market. When production per man hour increases sharply, the inflated costs can be absorbed.

Two West Coast crops are excellent examples of efficiency trends. Strawberry production, harvesting, and handling have changed little over the years. Last year over 50 percent of U.S. consumption of strawberries was imported. In contrast, almond production, harvesting, and handling have been completely mechanized and just over 50 percent of last year's crop was exported.

Many American grower-shippers and processors have set up producing and processing facilities in several foreign countries where labor is more abundant and cheaper than in the United States.

The end of the Bracero program in 1964 cut off a vast supply of immigrant labor and increased costs of labor for the U.S. horticultural industry. However there was no corresponding cost increase in Mexico. U.S. horticultural imports from Mexico have risen from around $15 million 12 years ago to $200 million last year and much of this production for export is at least partially financed and directed by American interests.

There is no easy answer to inflation but by increasing efficiency, the effects of inflation may be held in check.

A second problem is that caused by transportation. The horticultural industry is dependent on a fast and efficient transportation system for both domestic and export trade. Since U.S. horticultural production is concentrated some distance from the major domestic consumer markets it is probable that both fresh and processed fruits and vegetables travel on an average of 1,000 to 1,500 miles, and exports, except those to Canada, travel an average of more than 5,000 miles.

All modes of transportation are available—truck, rail, and ship. Each is capable of giving excellent service but the system needs much improvement.

We can now deliver the "jet set" to their favored watering places at 600 miles an hour, or in 2 to 12 hours to most any place in the world. Millions of dollars are being spent on research to step this up to 2,000 miles an hour, but a "red ball" freight train traveling coast-to-coast cannot maintain an average speed of 15 miles per hour. Just imagine, if we speed up trains to an average of 25 m.p.h. the equipment needs could be cut in half and at 50 m.p.h. only one-fourth as many cars would be required.

We have the capability to move perishable freight from the West Coast to Europe in 10 to 12 days, and, in a year or so, with new ships under construction, this can be cut to 7 or 8 days. But, look at the record—it invariably takes 20 to 30 days for the container to reach Europe and in many instances the container must be unloaded at the port city, then reloaded in the ocean container at an extra cost of $300 or more, plus damage to the produce.

There could be great savings in both costs and time with a well-coordinated intermodal system. Rental on equipment would be reduced, inventory costs would be lower, out-of-stock items would be more easily controlled, and the produce would arrive in better condition with a longer shelf life.

Freight rates from U.S. ports to overseas markets are generally higher than those from competing countries, even though in several instances, such as South Africa and Australia, the distances to Europe are much greater than from the U.S. West Coast. All duties and taxes in overseas markets are based on the c.i.f. (cost, insurance, and freight) value. Thus, when we quote c.i.f. it means all costs incurred to the port city in the importing country. This places U.S. horticultural products at an even greater disadvantage.

The transportation system will not improve magically by itself, there must be a coordinated push by many interested groups.

Trade barriers erected by various countries are also a large impediment to U.S. horticultural exports. The United States has been one of the world's leaders in promoting multilateral trading agreements under the General Agreement on Tariffs and Trade, commonly referred to as GATT. However, U.S. horticultural exporters often find their products discriminated against in favor of members of certain trading groups such as the Common Market, which gives special trading preferences to a number of countries, the Latin American Free Trade Association (LAFTA), the British Commonwealth, and the European Free Trade Association (EFTA). The United States and Japan are the only signers of GATT that are not members of, or affiliated with, a trading group or bloc. Subsidized exports by some of these groups, as well as high duties on imports, time period embargoes, and other regulations all serve to restrict U.S. imports.

These barriers will not be lessened unless there is strong pressure against their continuation.

In the Middle East and Africa

"Roving" Attaché Promotes U.S. Exports

A new pipeline links U.S. agri-exporters with the oil-rich Middle East and Northeast Africa—a "roving" agricultural attaché who is serving as a conduit for communication between them. In 1969 U.S. exporters supplied some $36 million of a total of approximately $290 million worth of agricultural products imported by the expanding markets in this area.

The concept of the roving attaché is a new one. Traditionally U.S. agricultural attachés have been based in the foreign country which they cover. Dan Sheppard, USDA's first roving attaché, is based in Washington and spends around 40 percent of his time traveling in countries of the Arabian Peninsula (Kuwait, Saudi Arabia, Bahrain, and the Trucial States) and Northeast Africa (Ethiopia, Sudan, and Somalia) supplementing the activities of Embassies where there has been no U.S. agricultural representation for years.

Because of the lack of such representation, knowledge about the market is inadequate, official U.S. agricultural trade contacts with key government officials and private importers is almost nonexistent, and until now no sustained effort has been made to expand sales of U.S. food and agricultural commodities to this area.

The roving attaché is fiilling the representational gap by working with government and private agricultural leaders, importers, distributors, and other agricultural interests in these rapidly expanding markets. His primary role is that of a marketing specialist. While in the Middle East he uncovers trade opportunities for U.S. exporters and on return to the United States passes them on to potential exporters through the information channels of cooperating U.S. commodity groups and cooperating State offices, and through direct export contacts with interested individual firms.

Mr. Sheppard is available to U.S. tradesmen for consultation before and after each trip to the Middle East. His telephone number in Washington, D.C. is 202-388-5449. On return to his area of assignment he periodically checks to see if the U.S. trade has followed through on his leads.

Twenty-five years ago the countries of the Arabian Peninsula were plodding along on a camel-like economy. Today, thanks to the "black gold" which the desert yields their economies are expanding rapidly.

Although many of these countries are small, they are becoming increasingly wealthy. Kuwait, for instance, perched at the head of the Arabian Gulf, is only 6,200 square miles in size but has a per capita income that ranks among the highest in the world.

Because the agriculture of the area is limited by intense heat, irregular and sparse rainfall, and a perpetual scarcity of groundwater, about 90 percent of the food and agricultural needs have to be imported.

This area of the world is regarded as one of the last frontiers for agricultural exports by many nations and as such is the target for aggressive promotion. Although price is the deciding factor for food purchasing by the masses, a certain segment of the population is becoming highly quality conscious and U.S. foods, particularly frozen and processed items, are in much demand. To keep U.S. exporters informed of market changes, the roving attaché follows and reports on the prices and promotions of competing agricultural exporting countries as well as general market information.

Mr. Sheppard, who served as U.S. Agricultural Attaché to Lebanon from 1966-68 and had previous experience with market development work at attaché posts in Rome and Milan, has traveled widely in the region and has a broad knowledge of the customs and food preferences of the residents of the area.

The first exhibition of U.S. food products in the Middle East was held in October 1968 in Beirut, Lebanon. Interest shown by Lebanese importers as well as those traders from neighboring countries who visited the exhibit was so great that U.S. agricultural exporters began to become more interested in establishing a place in the market for their products.

At subsequent exhibits held in Kuwait City, Kuwait, and Jeddah, Saudi Arabia in March and April, 1970, U.S. food firms reported substantial sales for certain U.S. food items. In addition several companies lined up local agents to act as representatives for their products.

However, this is just the beginning, the market potential for agricultural goods is as deep as the oilwells in the area. And the roving attaché is there to help U.S. exporters tap it.

Roving attaché Dan Sheppard (second from left) at 1970 exhibit in Kuwait.

A Look at Agriculture in French Guiana And Surinam

By JOHN D. McALPINE
Foreign Regional Analysis Division
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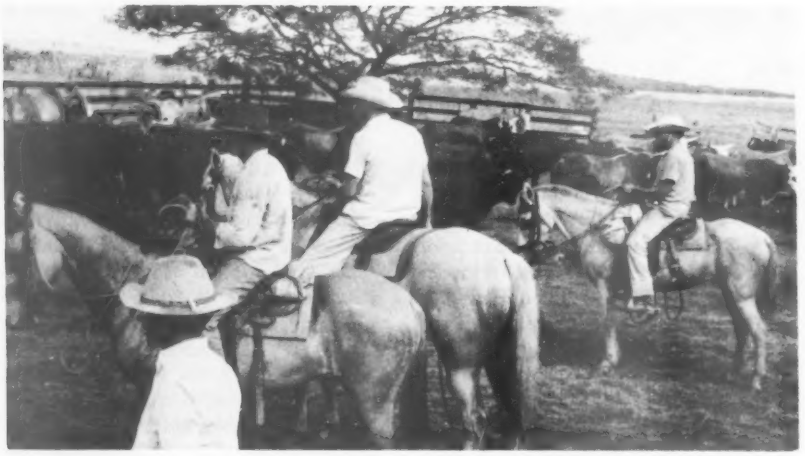

Herding cattle on the South American savannahs.

French Guiana and Surinam, neighbors on the northern coast of South America, occupy similar land areas characterized by low coastal plains and large interior savannahs with potential for development. But they have sharp differences in farm output and trade.

French Guiana, with its agriculture still largely on a subsistence basis, imports farm products principally from Metropolitan France and is only a limited market for U.S. farm products. Surinam, with a prosperous private agricultural sector, has a growing agricultural export trade and is also a good customer for U.S. farm products.

French Guiana has a population currently estimated at 65,000, mostly of African descent, heavily concentrated in the capital city of Cayenne.

Generally speaking, agricultural development is limited. The backlanders practice "slash and burn" agriculture, mostly for their own needs. If there is convenient transportation — waterways or the coastal highway—some of their produce may find its way into commercial channels. Near Cayenne and St. Laurent, however, small commercial production of broilers, hogs, dairy products, and rabbits is beginning, with active Government support through credit programs, veterinary services, and the availability of high-quality breeding stock. These enterprises have a long way to go, but the essential first steps are being taken. There are also a few large ranches grazing cattle, an activity that seems to have considerable room for expansion.

Food distribution is chaotic, with common foods such as eggs moving from a position of surplus when shipments from overseas arrive to one of great shortage when only locally produced supplies are available.

Of French Guiana's total trade, 75 percent is with Metropolitan France, and preferential tariff arrangements with France and the European Community make competition extremely difficult for third countries. Thus, French Guiana is only a limited market for U.S. farm products. Since the United States, for its part, imports practically no farm products from French Guiana, agricultural trade between the two is almost nil.

Surinam has an extremely diverse population totaling some 400,000. The largest groups are persons of African descent and East Indians.

As in Guyana to the west and French Guiana to the east, most agriculture in Surinam is on a low-lying coastal plain which extends for the length of the country. Most of this land is characterized by heavy clay soil with poor drainage; some of it is below sea level at high tide.

In contrast with French Guiana, however, Surinam has a large and well-developed private agricultural sector. The road system in the area around Paramaribo, the capital, is quite adequate for market purposes. In this part of the country, numerous East Indian and Indonesian smallholders tend small farms growing vegetables, fruits, and grains and keep small numbers of livestock. There is also slash-and-burn agriculture in the backlands.

The future of agriculture in Surinam may well lie in the experimental orchards being planted in the hills behind the coastal plain and the cattle ranches in the Amazon Basin. These areas, now largely in virgin jungle, have great room for agricultural expansion.

In the past, Surinam was a major sugar producer and exporter, with 800 plantations at the high point in 1800. But in 1970 it moved into a deficit position and had to import 2,000 tons.

The most important agricultural export now is rice. Most of the exportable surplus is produced by the Wageningen rice project in the northern part of the country. This state-owned corporate farm has 27,000 acres of reclaimed swamplands under cultivation.

Surinam's exports more than doubled between 1964 and 1968. Surinam moved from a position of large trade deficits in the early sixties to one of surplus on current account beginning in 1966. Large exports of bauxite and inorganic chemicals have been responsible for most of this increase, but cereal exports (mostly rice) increased 312 percent and fruits (mostly bananas), 226 percent.

Some 40 percent of Surinam's imports of agricultural products come from the United States. Prepared meat, wheat, wheat flour, corn, and unmanufactured tobacco are the most important items in this trade. On the U.S. side, the most important agricultural imports from Surinam are coffee and rubber. It is possible that agricultural trade between the two countries will grow in the future; but with rice as its prime export, Surinam has less market opportunity in the United States than most other South American countries have.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Weekly Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 3	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	1.97	+2	2.04
USSR SKS-14	1.99	+1	(1)
Australian FAQ	1.88	+1	1.74
U.S. No. 2 Dark Northern Spring:			
14 percent	2.03	0	1.88
15 percent	2.09	0	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	1.98	0	1.78
USSR-441 Yellow Winter	1.96	0	(1)
Argentine	(1)	(1)	1.76
U.S. No. 2 Soft Red Winter	1.89	+1	1.66
Feedgrains:			
U.S. No. 3 Yellow corn	1.76	−1	1.56
Argentine Plate corn	1.77	−1	1.55
U.S. No. 2 sorghum	1.56	−3	1.56
Argentine-Granifero sorghum	1.55	−3	1.33
U.S. No. 3 Feed barley	1.50	+1	1.11
Soybeans:			
U.S. No. 2 Yellow	3.36	−3	3.03
EC import levies:			
Wheat	1.44	0	1.68
Corn [2]	.78	+3	1.03
Sorghum [2]	.91	+8	1.12

[1] Not quoted. [2] Until Aug. 1, 1972, Italian levies are 19 cents a bu. under those of other EC countries.
Note: Basis—30- to 60-day delivery.

Livestock and Meat Products

Paraguay's Cattle Numbers Fall Sharply

The Paraguayan Minister of Agriculture and local cattlemen's associations have expressed concern over a decline in Paraguay's cattle herds. Although no official data are available, most sources report that cattle numbers have declined from a 1968 high of 6 million head to 5 million. This suggests that Paraguay may be unable to continue exporting at current levels unless it is prepared to do so at the expense of its domestic market.

Despite the reduction in cattle numbers, Paraguay's estimated production of beef and veal on a carcass-weight-equivalent basis remained constant at around 230 million pounds from 1968 through 1970. Exports of beef and veal fell from 49.2 million pounds carcass-weight equivalent in 1968 to 39 million pounds in 1969, of which 14 million pounds went to the United Kingdom and 24 million to the United States. In 1970 the United States imported about the same quantity of beef and veal from Paraguy as in 1969.

Fruits, Nuts, and Vegetables

French Walnut Estimate Revised

France's 1970 commercial walnut crop has been placed at 30,000 short tons (in-shell basis), 3,000 tons below previous estimates. Unfavorable weather in the Grenoble region reduced production there—now placed at 5,300 tons, 20 percent below last year's level. Record production in the Bordeaux region, totaling 24,700 tons, more than offset this decline, however. The trade reports the overall quality and size of the 1970 harvest to be good.

SUPPLY AND DISTRIBUTION OF FRENCH WALNUTS

Item	1967-68	1968-69	1969-70	1970-71 [1]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Production	27.0	30.0	25.0	30.0
Imports	2.0	1.0	1.0	1.0
Total supply	29.0	31.0	26.0	31.0
Exports	11.4	10.3	12.0	14.5
Domestic disappearance	17.6	20.7	14.0	16.5
Total distribution	29.0	31.0	26.0	31.0

[1] Revised.

Brazil's Cashew Production Up Slightly

Brazil's 1970 cashew production is placed at 26,500 short tons (in-shell basis), slightly above last year's crop. Exports, which totaled only 787 tons (kernel basis) in 1965, exceeded 6,100 tons in 1970. Abnormally dry weather has adversely affected the 1971 crop, now estimated at 13,000 tons (raw-nut basis).

BRAZIL'S CASHEW PRODUCTION
[Raw-nut basis]

Year	Area harvested	Production
	1,000 acres	*Short tons*
1965	159.2	15,200
1966	181.5	15,100
1967	190.9	26,700
1968	178.4	26,100
1969 [1]	185.6	25,800

[1] Preliminary.

The Brazilian cashew industry is located in northern Brazil, primarily in the States of Ceará, Pernambuco, Piaúi, and Rio Grande do Norte.

BRAZIL'S CASHEW EXPORTS
[Kernel-weight basis]

Year	Exports	Value, f.o.b.
	Short tons	*1,000 dollars*
1965	787	717
1966	1,973	1,752
1967	1,644	1,356
1968	3,684	3,377
1969	5,057	4,203
1970	6,183	7,305

Morocco's Almond Prospects Remain Steady

Current reports place Morocco's 1970 almond production at 3,000 short tons (kernel-weight basis), equal to the average-level 1969 harvest.

Almost all Moroccan production is from wild or unimproved stands, with yields only a fraction of those obtained by American producers. In an effort to introduce alternate crops in the Rif Mountains, almonds are being planted. New acreage is also being planted under a reforestation program. Exports during the 1970-71 season are estimated at 2,000 tons, down slightly from last season's level. France is again the major export market, followed by West Germany and the United Kingdom.

MOROCCO'S SUPPLY AND DISTRIBUTION OF ALMONDS

Item	1967	1968	1969	1970 [1]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Beginning stocks (July 1)	0.0	0.2	0.1	0.0
Production	5.5	3.5	3.0	3.0
Total supply	5.5	3.7	3.1	3.0
Exports	3.9	2.5	2.2	2.0
Domestic disappearance	1.4	1.1	.9	1.0
Ending stocks (June 30)	.2	.1	.0	.0
Total distribution	5.5	3.7	3.1	3.0

[1] Preliminary.

Iranian Walnut Harvest Down

Iran's 1970 walnut crop, adversely affected by frost in the Azerbaijan region, totaled 4,500 short tons (in-shell basis), 18 percent below the previous year's harvest.

IRANIAN WALNUT SUPPLY AND DISTRIBUTION

Item	1967-68	1968-69	1969-70 [1]	1970-71 [2]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Beginning stocks(Sept. 23)	0.3	0.5	1.0	0.4
Production	4.0	4.5	5.5	4.5
Total supply	4.3	5.0	6.5	4.9
Exports	1.5	.9	2.2	1.0
Domestic disappearance	2.3	3.1	3.9	3.8
Ending stocks (Sept. 22)	.5	1.0	.4	.1
Total distribution	4.3	5.0	6.5	4.9

[1] Revised. [2] Preliminary.

Exports during the 1969-70 season are estimated at 2,200 tons, substantially above 1968-69 shipments. Forecasts place 1970-71 shipments at 1,000 tons. Eastern European nations are expected to continue as Iran's major export market.

Smaller Italian Dried Fig Crop

Italy reports a smaller commercial dried fig pack in 1970. Dried fig production is estimated at 22,500 short tons, 10 percent below the 1969 level. Although weather was favorable in the major producing area, with springtime conditions humid and cool followed by a warm dry summer and fall, pest damage was reported as worse than average.

Production for previous seasons was as follows:

	1,000 short tons
1966	27.5
1967	27.6
1968	23.4
1969	25.0

Prices opened lower, due to relatively large supplies of 1969-crop dried figs still in marketing channels. Current market prices have advanced from openings but remain below those of a year ago.

ITALIAN WHOLESALE MARKET PRICES FOR DRIED FIGS

Item	January 1969	January 1970
	Cents per pound	*Cents per pound*
Figs with almonds [1]	25.4-27.6	23.2-25.4
Domestic bulk [1]	17.4-20.3	16.7-19.6
Imported bulk [1]	14.5-16.0	14.5-16.0
Industrial bulk [2]	4.7- 4.9	4.6- 4.7

[1] Bologna market. [2] Bari market.

Sugar and Tropical Products

Market Developments in Coffee

The period October through December 1970, the first quarter of the 1970-71 coffee year, was marked by a downward trend in prices for all types of coffee; an unusual number of export quota adjustments under provisions of the International Coffee Agreement in response to these price movements; considerable dissatisfaction concerning the overall size of the quota and special discount sales by some producing countries; and complaints about depressed markets and weak demand.

Nevertheless, despite the apparently chaotic market situation, data recently released by the International Coffee Organization indicate that exports during the quarter were at normal levels. Shipments of 11.9 million bags (60 kg., or 132 lb., each) during the 3-month period, though about 5.5 percent lower than during the same period last year, were about 5 percent above average exports during this quarter in the past 4 years.

Within the overall total, however, there were some significant shifts. Exporters of Robusta coffees, mainly African countries, obtained a substantially larger share of the market during the October-December 1970 quarter than in preceding years. Other Milds (essentially Western Hemisphere countries other than Brazil and Colombia) increased their market

share slightly, while Colombian Milds and Unwashed Arabicas (largely Brazils) lost ground. Roasters around the world may, in some cases, have responded to prevailing price levels by substituting blends of other Milds and Robustas for previous mixtures of Colombian Milds and Brazils, but it would be unwise to read too much significance into data covering only one quarterly period.

Kenya and Malawi Harvest Record Tea Crops

Reflecting favorable growing conditions and increasingly productive new plantings, record tea crops were harvested in 1970 by both Kenya and Malawi. Kenya's production rose to 90.6 million pounds, 14 percent over the 1969 crop, and more than double the 1960-64 yearly average of 35.8 million pounds.

Malawi's production increased to a record 41.3 million pounds, 4 million larger than that of the year before. Most of this gain came from unusually favorable December growing conditions. The December harvest yielded 8.1 million pounds, compared with December 1969 production of 4.6 million pounds, a little more than half the 1970 figure.

Hard Fiber Producers Fail To Agree

A meeting of representatives from countries producing sisal and henequen, held at the Food and Agricultural Organization headquarters in Rome early last month, failed to revitalize the trading arrangement which fiber-producing countries informally adopted in 1967. This arrangement had contributed markedly to stabilizing the hard-fiber market from late 1968 until February 1970.

The arrangement fell apart a year ago and fiber prices dropped sharply, but they have since recovered to approach former levels. Producing countries will again try to devise a coordinated marketing arrangement at the meeting of the FAO Hard Fiber Study Group, scheduled for May.

Dairy and Poultry

U.S. Exports of Poultry and Eggs, 1970

Exports of U.S. poultry and poultry products in 1970 were valued at $77.4 million—about the same as in 1969. Exports of fresh and frozen poultry totaled 141 million pounds, up about 4 million pounds from those for 1969. Increased sales of whole broilers and chicken and turkey parts offset reduced exports of whole turkeys, livers, and poultry specialties.

U.S. poultry exports to the European Community continued to be faced with rapidly expanding domestic production there and exceptionally high import levies. Owing to these obstacles, U.S. poultry meat sales to the EC in 1970, at about 32 million pounds, were down 4 million pounds from the previous year's level. Even so, West Germany continued to provide the largest single market for U.S. poultry meat exports, with 76 percent of the U.S. products imported being turkey parts. Total shipments to West Germany in 1970 were about 26 million pounds, valued at $8.7 million, 1 percent less than those in 1969. For turkey parts, however—principally legs, thighs, and drumsticks—the quantity increased by 4 percent and the value increased by 10 percent. During 1970, total import charges on turkey legs and thighs ranged from 17 cents per pound to over 24 cents and on drumsticks from 7 to 9 cents. Increased imports of these items reflect increasing consumer demand which cannot be met by the EC turkey industry.

Other markets in order of importance were Hong Kong, $4.9 million; Switzerland, $4.7 million; and Japan, $3.8 million.

The Caribbean continued to provide a sizable market for U.S. poultry exports. Sales of U.S. poultry meat to this area in 1970 were valued at $8.2 million—almost 16 percent over those for 1969—and amounted to approximately 38 million pounds. By value, chicken parts made up two-thirds of these shipments.

Export sales of table eggs and egg products to all markets were valued at $1.1 million—little more than one-half the value for 1969. Firmer prices for U.S. eggs were largely responsible for the decline in export value. Foreign sales of dried eggs totaled 433,000 pounds, up 11 percent from the level of a year earlier. This was a reversal of the downward trend that has prevailed in recent years.

U.S. exports of production stock—baby chicks, turkey poults, and hatching eggs—were valued at $32 million, an increase of $2 million over 1969 sales.

Cotton

Brazil's Cotton Crop Reduced

Reports from southern Brazil indicate that the cotton crop has been damaged by prolonged dry weather, and total outturn is now estimated at 2.2 million bales for the 1970-71 (August-July) season, compared with 3.1 million bales a year earlier. The current estimate is down 600,000 bales from earlier reports. The southern cotton crop—harvest at which begins in March—has had less than normal rainfall throughout the season. The 1970-71 northern crop, harvested earlier this year, was also damaged by drought and reduced to about one-half the previous year's.

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Foreign Agriculture

Export Wheat Marketing

(Continued from page 3)

between the various firms involved, the overall effect of these systems of interwoven transactions is to defray a segment of their costs of operation, thus enabling them to offer their basic merchandizing service—either to the supplier or to the ultimate overseas consumer—in the most efficient manner and at the lowest cost possible.

Overseas promotion. All of the major exporting countries, with the possible exception of Argentina, are substantially engaged in overseas promotion or public relations in behalf of their wheat.

Government, or semigovernment, agencies are involved in most cases, although producers participate in most of the activities and many of the organizations or offices established to carry out these programs.

Contracts. An explanation of the various contract forms used in the international trading of grains and the differences that exist in the various terms and clauses is a complex subject and can only be covered briefly here. Some of the major provisions are those pertaining to quantity and tolerance, dockage, quality and condition, weights, and the variations of delivery basis and payment.

The contract between a buyer and seller may take many forms and may include various terms, or clauses as conditions dictate. Legality within the framework in which both parties operate becomes the only limiting factor. Over the years certain standard formats have developed which today are used in the great majority of trading.

One of the most widely used series of contract forms is that of the London Corn Trade Association. The LCTA in London is a self-governing organization of over 300 members. Standard contract forms have been drawn up and are revised and amended as required and facilities for sampling and arbitration of disputes are provided. LCTA contracts or portions thereof are used in the trading of most grains into the United Kingdom and various European markets.

Two of the most widely used LCTA contracts are LCTA No. 27, covering full cargoes of grains sold c.i.f. and shipped from U.S. and Canadian ports excluding Pacific coast and Hudson Bay ports, and LCTA No. 30, covering parcels sold c.i.f. with the same exclusions.

The North American Export Grain Association, Inc. (NAEGA), headquartered in New York, is an organization of grain exporting firms similar in many respects to the LCTA. NAEGA issues standard contract forms and maintains facilities for the arbitration of disputes. NAEGA's contract No. 2 covers grains sold f.o.b. U.S. and Canadian ports excluding the Pacific coast, with NAEGA No. 3 covering Pacific ports.

Centralized buying agencies of foreign governments normally use their own contracts which are drawn up so as to cover all pertinent contingencies.